

2001 MAINE

CORPORATE INCOME TAX

BOOKLET

INCLUDES FORMS:

1120A-ME

1120ME

COMBINED REPORT – FORM CR

1120X-ME

1120W-ME

ESTIMATED TAX VOUCHERS

NEW FOR 2001

NEW FORM CR REPLACES SCHEDULE CB. A unitary business group filing a combined report must file a completed Form CR. Affiliated businesses that are not part of the unitary business group (formerly included on Schedule CB) are no longer included in the combined report, but must be included in a separate affiliation schedule. Some income information required on Form CR differs from its predecessor, Schedule CB. Review the new form carefully before completing.

FORMS REMOVED FROM BOOKLET. Form 2220ME, calculation of the penalty for underpayment of estimated tax, and the associated annualized income installment worksheet are no longer included in this booklet. If you need these forms, you can download them from the Maine Revenue Services (“MRS”) Web site at: www.state.me.us/revenue or have them mailed to you by calling the forms request line at: 207-624-7894.

NEW RULE. MRS Rule 810, Maine Unitary Business Taxable Income, Combined Reports and Tax Returns, has been adopted. This rule establishes standards for determining Maine income tax for unitary businesses and for filing combined reports under 36 M.R.S.A. § 5244, including related tax returns. Copies of this rule can be downloaded from the MRS Web site.

RULE 801 AMENDED. MRS Rule 801, Apportionment of Income, has been amended. This rule explains the apportionment of income as required by 36 M.R.S.A. § 5102(8) and §§ 5210-11. Copies of this rule can be downloaded from the MRS Web site.

SEE OTHER IMPORTANT CHANGES ON PAGES 31 & 32

QUESTIONS?

C-Corporation
S-Corporation, Partnership
& Individual
Withholding
To order forms:

207-624-9670

207-626-8475

207-626-8475

207-624-7894

E-mail: corporate_tax@state.me.us

E-mail: income_estate_tax@state.me.us

E-mail: withholding_tax@state.me.us

For general information and downloadable forms, visit our Web site:

www.state.me.us/revenue

MAINE REVENUE SERVICES PRIVACY POLICY

Maine Revenue Services (“MRS”) maintains the highest standards in handling personally identifiable taxpayer information. Taxpayers have the right to know what information is kept on file about them, to have reasonable access to it, and to receive a copy of their file. Under penalty of law, employees and agents of MRS are prohibited from willfully inspecting information contained on any tax return for any purpose other than the conduct of official duties. In addition, MRS employees and agents are prohibited from disclosing tax information to anyone other than the taxpayer except in a limited number of very specific circumstances. 36 M.R.S.A.

§ 191. Communications that do not meet the definition of tax information are subject to the general confidentiality and public inspection provisions of Maine’s “Freedom of Access” laws. When confidential taxpayer information is stored by MRS, it is kept in a secure location where it is accessible only to authorized employees and agents of MRS. No unassociated third parties may receive information pertaining to tax returns without written permission from the affected taxpayer. If you have any questions regarding the Privacy Policy, please contact MRS at (207) 626-8475.

CORPORATIONS REQUIRED TO FILE

CORPORATIONS SUBJECT TO INCOME TAX: Every entity (including exempt organizations) must file Form 1120ME and pay the applicable Maine corporate income tax if it meets the following criteria:

1. The entity is subject to federal income tax as a corporation; and
2. The entity realizes Maine net income.

Maine Net Income. Maine net income is the taxpayer’s federal taxable income modified by Maine law and apportionable to Maine. A taxpayer is subject to tax if the taxpayer conducts business in Maine or owns or uses property in Maine in a corporate capacity.

NEXUS: Nexus is having sufficient connection with a jurisdiction to subject the corporation to taxation. Nexus is generally created by physical presence or by conducting business within the taxing jurisdiction. *See generally* MRS Rule 808, Corporate Income Tax Nexus.

Conducting Business in Maine. Without limitation, a corporation conducts business in Maine if it engages in any of the following activities in this state:

1. Maintains an office or other place of business;
2. Executes a contract;
3. Exercises or enforces contract rights;
4. Buys, sells, or procures services or property; or
5. Employs labor.

Owning or Using Property. Without limitation, a corporation owns or uses property in Maine if it:

1. Owns property that is held by another person in this state under a lease, consignment, or other arrangement;
2. Uses in this state property that it holds under a lease, license or other arrangement; or
3. Maintains a stock of goods in this state.

Exception for Certain Activities under U.S. Public Law 86-272. A foreign corporation that does business in Maine or owns or uses property in Maine is not subject to Maine income tax if its only activities in Maine are those set forth in U.S. Public Law 86-272 (15 U.S.C §§ 381-384).

a. Solicitation Activities. U.S. P.L. 86-272 precludes Maine from imposing a tax on the income of a foreign corporation if the sole activity of the corporation in this State is the solicitation by the corporation’s representatives (in the name of the corporation or in the name of a prospective customer) of orders for the sale of tangible personal property, provided that the orders are sent outside of the State of Maine for approval or rejection, and provided that the orders are filled by shipment or delivery outside of Maine.

Limitations. P.L. 86-272 restricts a state’s tax jurisdiction with respect to sales solicitation activities only if the taxpayer’s activity is

limited to solicitation of orders for the sale of **tangible personal property**. U.S. P.L. 86-272 does not afford protection in the following circumstances:

1. A combination of solicitation activities and non-solicitation activities in Maine;

2. The solicitation of orders for the sale or provision of services, either standing alone or in combination with the solicitation of orders for tangible property. Some examples of the combined sale of services and tangible personal property are photographic development and the provision of architectural or engineering services; and

3. The solicitation of orders for the sale, lease, rental, license, or other disposition of real property or intangibles.

b. De Minimis Activities. Non-solicitation business activities conducted by a corporation in Maine will not subject the corporation to taxation if the activities, taken together, are *de minimis*.

For additional information, see MRS Rule 808 at www.state.me.us/revenue.

CORPORATIONS NOT SUBJECT TO MAINE CORPORATE INCOME

TAX: Corporations that elect to file under **Subchapter S** of the Internal Revenue Code (except those with federal taxable income at the corporate level), **insurance companies** subject to, or that would be subject to, tax under 36 M.R.S.A. §§ 2512-2526 (insurance premiums tax and fire investigation and prevention tax, except for insurance companies that operate HMOs, *see* 36 M.R.S.A. §§ 5102(6) and 5202-C) and **banking institutions** subject to franchise tax (see **b.** below) are not subject to Maine corporate income tax. Corporate **small business investment companies**, licensed under the United States Small Business Investment Act of 1958 that are commercially domiciled in Maine and do business primarily in Maine are also not subject to this tax.

a. LIMITED LIABILITY COMPANIES. Maine law allows for the formation of limited liability companies. It provides that a domestic LLC or foreign LLC doing business in Maine is classified as a partnership for Maine income tax purposes, unless classified otherwise for federal income tax purposes, in which case the LLC is classified in the same manner for Maine income tax as for federal income tax purposes.

b. BANKING INSTITUTIONS SUBJECT TO FRANCHISE TAX. Every corporation that is a financial institution, except a credit union, any service corporation or subsidiary as defined in 9-B M.R.S.A. § 131, and any financial institution holding company that is doing business in this state must file Form 1120B-ME and pay Maine franchise tax. This requirement also applies to any financial institution organized as an S corporation, partnership, or entity disregarded as separate from its owner. **Do not use Form 1120ME.** Form 1120B-ME is available for downloading at www.state.me.us/revenue or by calling 624-7894.

UNITARY BUSINESS COMBINED REPORTING

Who must file a Combined Report (Form CR)? Taxable corporations that are members of an affiliated group engaged in a multi-corporate unitary business must file a combined report based on the federal taxable income of the unitary business. *See generally MRS Rule 810.* Corporations that are part of a unitary business but are not required to file a federal income tax return are to be excluded from the combined report.

The combined report must indicate which corporate members have nexus with Maine, and it must include, both in the aggregate and by corporation, the federal taxable income, allowable adjustments, state modifications provided by 36 M.R.S.A. § 5200-A, and sales, payroll, and property values in Maine and everywhere.

Maine defines **affiliated group** to mean a group of two or more corporations of which more than 50% of the voting stock of each member corporation is directly or indirectly owned by a common owner or owners, either corporate or non-corporate, or by one or more of the member corporations.

A **unitary business** is one that is characterized by unity of ownership, functional integration, centralization of management, and economies of scale. The cumulative effect of these characteristics is analyzed to determine if affiliated businesses are unitary.

Unity of ownership is generally demonstrated when 50% or more of the voting stock is owned directly or indirectly by a common owner or owners, either corporate or non-corporate, or by one or more of the member entities.

Centralized Management is indicated when directors, officers, and/or other management personnel jointly participate in management decisions that affect the respective companies. Centralized management still exists when day-to-day management responsibilities are decentralized, as long as the overall strategy of the whole group is affected centrally. Other indicators of centralized management include managing to ensure that the business segments are operated for the benefit of the entire group and not just for their own individual interest, transferring knowledge and expertise among the segments, adhering to common standards of professionalism, profitability and/or ethical practices, and transferring or rotating officers or other management employees among the business segments.

Functional integration refers to transfers between or pooling among business segments that significantly affect the business operations of the segments. There is no specific type of functional integration that must be present. Facts suggesting the presence of functional integration should be analyzed for their cumulative effect and not in isolation. Functional integration can be illustrated by: common marketing; intercompany sales; exchanges or transfers of products; services or intangibles; common distribution systems; common purchasing, etc.

Economies of scale exist when companies interact to achieve, or have the potential to achieve, a decrease in the cost of production or in the cost of administrative functions due to the increase in size of the interaction. Economies of scale may exist from the inherent cost savings that arise from the presence of functional integration or centralization of management. A unitary determination is made by reviewing all the business activities of an affiliated group. A **flow of value** arising from these activities is indicative of multi-corporate unity. A unitary business questionnaire is available at www.state.me.us/revenue to help you determine whether your business operates in a unitary manner.

Maine net income of a unitary business is determined by apportioning adjusted federal taxable income of those members of the unitary business that are subject to Maine taxation.

Returns: Corporate members of unitary businesses may file a single combined return or separate corporate returns. The single return must be filed in the name of the parent corporation if the parent is a member of the unitary business and has nexus with Maine. If there is no parent company or the parent company is not a member of the unitary business or does not have nexus with Maine, the unitary business must choose a Maine taxpayer member to file the return. Once selected, the filing member must remain the same in subsequent years unless changes in that member's ownership or nexus occur. Unitary members who have nexus with Maine may file separate returns with their income tax based on the combined report of the unitary business. A copy of the combined report must be attached to each of the separate returns. The apportionment factor of the unitary business is then used to compute the Maine net income of the individual member filing a separate return.

In order to compute the tax for the unitary business, preferential rates are applied only to the first \$250,000 of Maine net income of the whole group and must be apportioned equally among the taxable corporations unless another election by the unitary business is chosen. The balance of the Maine net income of the entire group must be taxed at the highest marginal tax rate. A schedule showing the income assignment to each corporation and computation of the income tax must be submitted with each return. Any tax credits generated by a taxable corporation engaged in the unitary business must be applied against the Maine income tax liability of that corporation only, unless otherwise permitted by law.

Differing year-end dates: Members of a unitary business with differing year-end dates must file using the filing member's taxable year to determine the Maine net income of the unitary business. If the precise amount of a unitary member's income can be readily determined from the books for the months involved in the filing member's taxable year, those actual amounts are to be used. In the absence of a precise determination, the income of a unitary member must be converted to conform to the taxable year of the filing member on the basis of the number of months falling within the applicable taxable year. For example, if the filing member operates on a calendar year and a unitary member includible in the combined report operates on a fiscal year ending on February 28th, it is necessary to assign 10/12 of that member's income from the current taxable year and 2/12 of the income from the preceding taxable year in order to arrive at a full twelve months' income to be included in the combined report (this method may be used only if the return can be timely filed after the member's taxable year ends). Alternatively, all of the income from the unitary member's taxable year ending during the taxable year of the filing member may be used. Whichever method for calculating Maine net income is used, that method must be used for all years that the unitary member must file. Once the combined taxable income of the unitary business is determined on the basis of the filing member's taxable year, the apportionment factor must be computed on the basis of the same taxable year.

For more information on unitary business and combined reporting, see MRS Rule 810.

GENERAL INSTRUCTIONS

1. DATE FOR FILING RETURN: Corporations reporting for the calendar year 2001 should file, with payment, on or before March 15, 2002. Fiscal year taxpayers should file, with payment, on or before the 15th day of the third month following the close of the taxable year.

2. EXTENSIONS FOR FILING: A State of Maine extension request form is no longer required. If you are unable to file your return by the original due date of the return, Maine allows an automatic seven-month extension of time to file. **CAUTION: AN EXTENSION TO FILE YOUR MAINE RETURN IS NOT AN EXTENSION FOR PAYMENT OF TAX.** If you owe money, you must pay at least 90% of that amount by the original due date for filing your return in order to avoid the penalty for late payment of tax. The remaining 10% must be paid when the return is filed by the extended due date in order to avoid the failure to pay penalty. However, interest is charged on any tax paid after the original due date of your return.

Remit your estimated tax payment with the payment voucher (Form 1120EXT-ME, located in this book) by the original due date for filing your Maine return to: Maine Revenue Services, P.O. Box 1062, Augusta, ME 04332-1062.

3. PAYMENT OF CORPORATE INCOME TAX: All corporations subject to income taxes shall make payments of estimated tax unless the liability for the current taxable year or for the prior tax year reduced by allowable credits is less than \$1,000 (for tax years beginning on or after January 1, 1999). See instructions for Form 1120ES-ME for details.

4. INTEREST: Beginning January 1, 2002, interest at 8% per annum, compounded monthly, will be added to the balance of any tax due from the original due date to the date of payment and should be included with any payment.

5. PENALTIES:

a. Underpayment of estimated tax penalty. Beginning January 1, 2002, the penalty is 8% per annum compounded monthly. Prior to January 1, the interest rate is 9%. The penalty will be assessed if the sum of quarterly estimated tax payments is not at least equal to the lesser of the previous year's Maine income tax liability or ninety percent (90%) of the tax liability for the current year. Exception: certain large corporations cannot use the previous year's liability in determining the required amount of estimated tax payments.

b. Late filing and late payment penalties. If a past due return is filed before the receipt, or within 30 days of the receipt of a demand notice, the penalty for failure to file is the greater of \$25 or 10% of the amount of tax due. If the return is filed more than 30 days after the receipt of a demand notice, the failure to file penalty increases to 100% of the tax otherwise due.

For failure to pay a tax liability, the penalty is 1% of the tax liability for each month the payment is delinquent, up to a maximum of 25%.

c. Other penalties. The law also provides for penalties for substantial understatement of tax, negligence, fraud, and for payment of tax by check that is returned for insufficient funds.

6. ACCOUNTING PERIOD COVERED BY RETURN: Your Maine return covers the same accounting period as your federal corporate return. If the taxable years of the members of a unitary business group differ, see MRS Rule 810.05 and page 3 of this booklet, "Differing year-end dates."

7. ACCOUNTING METHODS: A taxpayer's accounting method for Maine income tax purposes must be the same as that used for federal income tax purposes.

8. ADDITIONAL FORMS TO ACCOMPANY STATE RETURN:

a. The Maine corporate return, Form 1120ME, must be accompanied by a legible copy of the corporation's federal return, Form 1120, pages 1 through 4, for the same taxable period (if a member of a **Federal Consolidation**, the federal return, Consolidated Form 1120, pages 1 through 4, must be provided).

b. Corporations subject to Maine corporate income tax that are members of an affiliated group as defined by Maine law, and operating in a unitary business **must complete Form CR, along with an affiliation schedule.** Exempt organizations filing the Maine corporate return, Form

1120ME, must attach a legible copy of the corporation's federal return, Form 990T.

9. FILING REQUIREMENTS FOR S CORPORATIONS AND PARTNERSHIPS: S corporations and partnerships, except financial institutions, that have Maine-source income or that have resident shareholders or partners are required to file an information return consisting of Form 1065ME/1120S-ME, a copy of the federal return and federal Schedules K-1. If you are filing an information return for an S corporation that is not subject to tax at the corporate level, do not file Form 1120ME.

Shareholders and partners are subject to Maine income tax. Those who are nonresident individuals and who have no other Maine-source income may satisfy the filing requirement with a composite return. In that event, the entity must file a return on behalf of its nonresident shareholders or partners using Form 1040ME labeled "composite return." For additional information, see MRS Rule 805.

S corporations that incur federal taxable income (e.g. certain capital gains and certain built-in gains) at the corporate level are required to file Form 1120ME and report only the income on Form 1120ME that is taxed at the corporate level for federal purposes.

10. FEDERAL AUDIT CHANGES AND AMENDED RETURNS: Taxpayers must file Maine amended returns for any change or correction by the Internal Revenue Service in federal taxable income within 90 days after final determination of such change or correction. Attach a copy of the Internal Revenue Agent's report with all supporting schedules to your Maine amended return, Form 1120X-ME.

Taxpayers filing amended federal income tax returns must, within 90 days, file amended Maine income tax returns with copies of federal Form 1120X. When filing returns that reflect federal net operating losses, a copy of federal Form 1139 must be attached.

In addition, an amended Maine income tax return is required to correct errors on a previously filed return. The amended return must be filed within 90 days of the discovery.

11. MAINE SALES AND USE TAX INFORMATION: Taxable items bought from out-of-state sellers that do not collect Maine sales tax are subject to a use tax. The use tax equals 5% of the purchase price where no sales tax has been paid. Use tax is also due on mail orders where there is no sales tax. There is no use tax liability on purchases where sales tax has been paid to states with a sales tax rate equal to or greater than the Maine sales tax rate. If you are registered for sales/use tax purposes and are receiving returns, report purchases on the applicable "Taxable Purchases" line of that return. Call 207-287-2336 if you have questions about Maine Use Tax Law.

12. ELECTRONIC FUNDS TRANSFER: Corporate taxpayers may make payments electronically using the ACH Credit Method. This means that you can electronically transfer funds from your bank account to the State of Maine. Corporate taxpayers may also use Maine Revenue Services' telephone ACH electronic funds withdrawal (debit) payment system. Both of these ACH payment methods require applications to participate. Taxpayers with an annual corporate liability of \$400,000 or more are mandated by MRS Rule 102 to pay electronically. You will be separately notified if mandated.

To obtain an application, a copy of the rule, or to get more information, call 207-287-8276 or write: EFT Unit, Maine Revenue Services, 24 State House Station, Augusta, ME 04333-0024. The ACH applications and MRS Rule 102 can also be downloaded at www.state.me.us/revenue.

Penalty for failure to pay by electronic funds transfer. Any person required to pay by electronic funds transfer who fails to do so is liable for a penalty equal to the lesser of 5% of the tax due or \$5,000.

Penalty for insufficient funds. The penalty for insufficient funds also applies to electronic funds transfers. The penalty is \$20 or 1% of the payment amount, whichever is greater.

13. OVERPAYMENTS CREDITED TO FUTURE TAX YEARS: Effective January 1, 2001, Maine Revenue Services will offset tax overpayments designated to be carried forward in order to satisfy an existing debt with MRS or any other state agency.

SPECIFIC INSTRUCTIONS – 1120ME

Line A. FEDERAL CONSOLIDATED INCOME: If the federal filing was as part of a federal consolidated return, enter the amount from federal Form 1120, line 30 here.

Line 1. FEDERAL TAXABLE INCOME: Enter federal taxable income from line 30 of federal Form 1120 or line 26 of federal Form 1120A, unless the corporation is an S corporation. For S corporations, the corporate level federal taxable income is entered. Corporations that are members of an affiliated unitary business group should refer to the “Combined Reporting Instructions” on page 3 and on pages 9-10. Real estate investment trusts (REITs) enter amount from federal Form 1120-REIT, line 22. A corporation that is an affiliate of a federal consolidated filing, but not a member of a unitary business group, must enter federal taxable income that is solely attributable to the corporation.

Line 2a. NONTAXABLE INTEREST: Enter interest on U.S. bonds, U.S. Treasury notes, or other obligations of the U.S. government which, by law, are exempt from state taxes, but taxable by the federal government. Interest from bonds issued by the State of Maine or Maine municipalities is exempt from Maine income tax even if taxed on the federal return. Taxpayers may subtract from federal taxable income interest income and capital gains from the sale of bonds issued by the Waste Management Agency to the extent included in federal taxable income.

Line 2b. FOREIGN DIVIDEND GROSS-UP: Enter the amount from federal Form 1120, Schedule C, line 15.

Line 2c. WORK OPPORTUNITY CREDIT: Enter on this line an amount equal to your federal Work Opportunity Credit from federal Form 5884, line 4.

Line 2d. INCOME NOT TAXABLE UNDER THE CONSTITUTION OF MAINE OR THE U.S.: Enter income this state is prohibited from taxing under the constitution or laws of the United States or the constitution of the State of Maine. The amount must be decreased by any expenses incurred in the production of that income to the extent that these expenses are deductible in determining federal taxable income. **Attach a worksheet that details any amount claimed on this line.**

Line 2e. DIVIDENDS FROM AFFILIATED CORPORATIONS: Enter 50% of all apportionable dividends from affiliated corporations that are not included by the taxpayer in a Maine combined report. Dividends must be included in federal taxable income, line 1.

Line 2f. NET OPERATING LOSS DEDUCTION CARRYOVER: If you have a net operating loss for tax years beginning in 1989, 1990, 1991 or 1992 that was carried back for federal purposes but not allowed for Maine, you are allowed a deduction on this line as a net operating loss carryforward. However, the net operating loss carry forward cannot reduce Maine net income to less than zero.

Line 2g. INCOME FROM OWNERSHIP INTEREST IN FLOW-THROUGH ENTITY FINANCIAL INSTITUTIONS SUBJECT TO MAINE FRANCHISE TAX: Financial institutions are subject to Maine’s franchise tax, regardless of organizational structure. If federal taxable income includes income from ownership of a financial institution that is a flow-through entity (partnership, S corporation, entity disregarded as separate from its owner), enter the amount on this line. Attach federal Schedule K-1 to verify this amount.

Line 2h. STATE INCOME TAX REFUNDS: Enter the amount of state income tax refunds included in federal taxable income provided the amount has already been taxed by Maine. This modification may not reduce Maine net income to less than zero, and the amount refunded from this state or another state may not have been previously used as a modification. Any unused portion of the modification may be carried back two years and carried forward 20 years.

Line 2i. NORTHERN MAINE TRANSMISSION CORPORATION ADJUSTMENT: Beginning September 18, 1999, bonds, notes, other evidences of indebtedness; interest and profits from bonds, notes, other evi-

dences of indebtedness; and any other income or money of the Northern Maine Transmission Corporation are exempt from state corporate income tax.

Line 4a. INCOME TAXES IMPOSED BY MAINE OR ANY OTHER STATE: Maine does not permit a deduction for income taxes imposed by Maine or any other state. Add back income taxes taken as a deduction on federal Form 1120 or 1120-A.

Line 4b. UNRELATED EXPENSES: If the corporation listed on this return is part of a federal consolidated group, but filing separately for Maine and is not a member of a unitary business group, any expenses incurred by the corporation on behalf of subsidiaries or other members of a group that are not included on this return must be added back. **Attach supporting schedules.**

Line 4c. INTEREST FROM STATE AND MUNICIPAL BONDS OTHER THAN MAINE: Corporations must add income from state and municipal bonds that originate outside Maine to federal taxable income for Maine income tax purposes.

Line 4d. NET OPERATING LOSS RECOVERY ADJUSTMENT:

Enter on this line:

(1) The amount of any net operating loss for this taxable year which has been or will be carried back to previous taxable years pursuant to IRC § 172, and;

(2) The amount of any net operating loss carryover deduction claimed in this taxable year under IRC § 172 which has previously been used to offset Maine modifications to federal taxable income. (36 M.R.S.A. § 5200-A(1)). See example below.

Net Operating Loss Recovery Adjustment (Form 1120ME, line 4d).

The following example illustrates the NOL Recovery Adjustment:

On the original returns, federal taxable income (FTI) for 1999 was \$30,000, Maine positive modifications were \$10,000 for a Maine taxable income (MTI) of \$40,000. For 2000, FTI was \$25,000, Maine positive modifications were \$8,000, MTI was \$33,000. The figures below represent amended returns for 1999 and 2000.

Corresponding Line on Maine Return	NOL Year 2001	Carryback Years 1999	2000
1. Federal taxable income	60,000	30,000	25,000
		- 30,000	- 25,000
1. Federal taxable income on amended return		0	0
4d. NOL Carryback from 2001	55,000		
4. Maine modification addition	12,000	10,000	8,000
5. Maine taxable income	7,000	10,000	8,000

Of the original \$60,000 loss in 2001, \$55,000 is carried back to 1999 and 2000 at the federal level. To calculate Maine taxable income for 2001, the remaining \$5,000 loss is utilized against Maine modifications. If the \$5,000 loss is included in the 2002 FTI (line 1, Form 1120ME) it must be added back as a modification on the 2002 Maine tax return (on line 4d, Form 1120ME) in order to avoid using the loss twice for Maine purposes.

For additional information concerning the NOL recovery adjustment, see MRS Rule 807, available at www.state.me.us/revenue.

SPECIFIC INSTRUCTIONS – 1120ME, continued

Line 4e. LOSS, EXPENSES, OR DEDUCTIONS FROM OWNERSHIP INTEREST IN FINANCIAL INSTITUTIONS SUBJECT TO MAINE FRANCHISE TAX: All financial institutions are subject to Maine's franchise tax, regardless of the entity's organizational structure. If federal taxable income includes a loss, expense, or deduction from ownership of a financial institution that is a flow-through entity (partnership, S corporation, entity disregarded as separate from its owner), enter the amount on this line. Attach federal Schedule K-1 to verify this amount.

Line 4f. HIGH-TECHNOLOGY CREDIT ADD-BACK: Maine net income must be increased by the amount of investment credit base used for the high-technology credit also claimed as a business expense for federal income tax purposes.

Line 6. MAINE NET INCOME: A corporation that is not part of an affiliated-unitary business group and has income solely from business activity within Maine enter on line 6 the same amount as on line 5. A corporation having income from within and outside the state, must apportion income on Schedule A and enter on this line the amount shown on line 17 of Schedule A. All corporations that are members of an unitary business group must also complete Schedule A. See combined reporting instructions on pages 3, 9, and 10 of this booklet.

Line 7a. MAINE CORPORATE INCOME TAX: For tax years beginning in 2001, the Maine corporate tax rates are as follows:

If Maine net income is:

Greater Than	But not over	The tax is:
\$ 0	\$ 25,000	3.5% of Maine net income
25,000	75,000	\$ 875 plus 7.93% of the excess over \$ 25,000
75,000	250,000	4,840 plus 8.33% of the excess over \$ 75,000
250,000	or more	19,418 plus 8.93% of the excess over \$250,000

In the case of an affiliated group of corporations engaged in a unitary business, the respective preferential rates are applied only to the first

\$250,000 of Maine net income of the entire group and are divided equally among the taxable corporations unless those taxable corporations jointly elect a different assignment. The balance of Maine net income of the entire group is taxed at 8.93%. Attach a schedule to show income assignment to each corporation.

Line 7b. MINIMUM TAX: A minimum tax may be imposed, for each taxable year, upon every corporate taxpayer required to file a Maine corporate income tax return. Complete Schedule B to compute the amount to be entered on this line.

Lines 8a and b. CREDITS: Enter estimated tax payments and extension payments made for the tax year. If claiming real estate withholding payments on line 8a, you must attach Form REW-1. Include on this line any overpayment carried over from previous years and applied to this year.

Line 8c. OTHER CREDITS: The amount on this line cannot exceed the tax liability on line 7c of Form 1120ME.

Line 9b. PENALTY FOR UNDERPAYMENT OF ESTIMATED TAX: If the estimated tax was underpaid, complete and attach Form 2220ME to the corporate return. A copy of Form 2220ME is available at www.state.me.us/revenue.

Line 11a. AMOUNT OF LINE 10 YOU WISH CREDITED: Use this line only if you want to have all or part of the overpayment on line 10 applied as a payment to your next year's estimated Maine corporate income tax.

Line 11b. AMOUNT TO BE REFUNDED: Enter here the difference between lines 10 and 11a. Refunds of \$1.00 or more will be mailed to you.

IMPORTANT: IF ALL REQUIRED LINES AND SCHEDULES (INCLUDING FORM CR) ARE NOT COMPLETED, THE RETURN IS INCOMPLETE AND WILL NOT BE CONSIDERED A FILED RETURN. ALSO, PAGES 1 - 4 OF THE FEDERAL RETURN MUST BE ATTACHED TO YOUR MAINE CORPORATE RETURN.

SCHEDULE A INSTRUCTIONS

GENERAL INSTRUCTIONS

Schedule A is for corporations engaged in interstate business. Maine employs a three-factor formula to determine the percentage of corporate income that is apportioned to Maine. This percentage is derived from a fraction, the numerator of which is the property factor plus the payroll factor plus twice the sales factor, and the denominator of which is four (36 M.R.S.A. §§ 5210-5211 and MRS Rule 801). If the apportionment provisions do not fairly represent the extent of the taxpayer's business activity in Maine, the taxpayer may petition for, or the State Tax Assessor may require, in respect to all or any part of the taxpayer's business activity:

- Separate accounting;
- The exclusion of any one or more of the factors;
- The inclusion of one or more additional factors which will fairly represent the taxpayer's business activity in Maine; or
- The employment of any other method to effectuate an equitable apportionment of the taxpayer's income.

"Tax period," referred to in the instructions for lines 12, 13, and 14, means the period represented by adjusted federal taxable income on line 5 of Form 1120ME.

"Sales" means all gross receipts including trade sales, dividends, interest, rents, and royalties. See MRS Rule 801.08(B).

Those corporations that are members of a unitary business group should see further instructions on pages 3, 9, and 10.

If one factor is excludable from the apportionment formula, the weighting of the two remaining factors must be changed. A factor is excludable only if both the numerator and denominator are zero, but is not excludable merely because the numerator is zero. When excluding the sales factor, change the weight of the payroll and property factors to 50% (0.5) each. When excluding either the payroll or property factor, change the weight of the sales factor to 66.67% (0.6667) and the weight of the remaining factor to 33.33% (0.3333). If two factors are excludable from the apportionment formula, change the weight of the remaining factor to 100%. If you are excluding any factors, attach a schedule detailing the factors used and the apportionment computation. If the total of line 12, column C, line 13, column C, and line 14, column C does not equal the amount you enter on line 15, your tax liability will not compute accurately.

See M.R.S. Rule 801 generally regarding apportionment of income.

SPECIFIC INSTRUCTIONS FOR SCHEDULE A

MUTUAL FUND SERVICE PROVIDERS may elect to apportion income to Maine using a sales-only formula. Check the box if you qualify and are making this election. The choice is irrevocable for five years. Taxpayers electing the special apportionment may not be included in Form CR.

Line 12. SALES FACTOR: The sales factor is a fraction, the numerator of which is the total sales of the taxpayer in Maine during the tax period, and the denominator of which is the total sales of the taxpayer everywhere during the tax period.

Sales of tangible personal property are attributed to Maine if (1) the property is delivered or shipped to a purchaser, other than the United States Government, in Maine, regardless of the F.O.B. point or other conditions of the sale, or (2) the property is shipped from an office, store, warehouse, factory or other place of storage in Maine and the purchaser is the United States Government or the taxpayer is not taxed in the state of the purchaser.

Sales, other than sales of tangible personal property, are attributed to Maine if (1) the income-producing activity is performed in this state, or (2) the income-producing activity is performed both in and outside Maine and a greater proportion of the income-producing activity (based on costs of performance) is performed in this state than in any other state.

Line 13. PAYROLL FACTOR: The payroll factor is a fraction, the numerator of which is total compensation paid in Maine during the tax period by the taxpayer, and the denominator of which is total compensation paid everywhere during the tax period. "Compensation" means wages, salaries, commissions and any other form of remuneration to employees for per-

sonal services, including deferred compensation. Compensation is paid in Maine if (1) the individual's service is performed entirely within this state; (2) the individual's service is performed both within and outside Maine, but the service performed outside the state is incidental to the individual's service within Maine; or (3) some of the service is performed in this state, the base of operations (or, if there is no base of operations, the place from where the service is directed or controlled) is not in any state in which some part of the service is performed, and the individual's residence is in Maine.

Line 14. PROPERTY FACTOR: The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property (including inventory) owned or rented and used in Maine during the tax period and the denominator of which is the average value of all the taxpayer's real and tangible personal property (including inventory) owned or rented and used during the tax period. Property owned by the taxpayer is valued at original cost.

Property rented by the taxpayer is valued at eight times the annual rental rate. The average value of the property shall be determined by averaging the values at the beginning and end of the tax period, but the State Tax Assessor may require the averaging of monthly values during the tax period if reasonably required to reflect properly the average value of the taxpayer's property.

Line 16. ADJUSTED FEDERAL TAXABLE INCOME: Enter adjusted federal taxable income from page 2, line 5 of Form 1120ME.

SCHEDULE B INSTRUCTIONS

See Schedule B for specific instructions for each line. Attach federal Form 4626. If the members of the Maine corporate return differ from the federal corporate return filing, complete and attach a pro forma federal Form 4626 for the entity or entities included in the Maine return.

SCHEDULE C INSTRUCTIONS

For credits claimed on lines 29b and 29i, attach worksheets showing your calculations for the credits claimed. Sample credit worksheets are available at www.state.me.us/revenue.

29a. Maine Seed Capital Tax Credit: Enter on this line the tax credit as authorized by the Finance Authority of Maine. A copy of the tax credit certificate must be attached to the return. The amount of credit is subject to limitations as outlined in 36 M.R.S.A. § 5216-B.

29b. Jobs and Investment Tax Credit: A tax credit for qualifying jobs and investment is entered on this line. Eligibility for the credit requires the addition of \$5 million of IRC § 38 property based on the Internal Revenue Code of 1954, as of December 31, 1985, § 38(b)(1), and 100 new jobs attributable to that investment in the 24-month period following the date the property was placed in service. For further details see 36 M.R.S.A. § 5215. **Jobs created between August 1, 1998 and October 1, 2001 must be covered by qualified retirement and health insurance plans, and wages must be greater than the average per capita income in the labor market area in which the employee is employed.**

29c. Employer-Assisted Day Care Tax Credit and Quality Child Care Investment Credit: Line 29c is used for both credits. Combine the credits for purposes of the gross credit amount and credit amount claimed.

Employer-Assisted Day Care Tax Credit: A taxpayer constituting an employing unit is allowed a credit for providing or paying day care expenses of employees, subject to the limitations of 36 M.R.S.A. § 5217. The tax credit is limited to the lowest of \$5,000, 20% of the cost incurred, or \$100 for each child of an employee of the taxpayer enrolled on a full-time basis. Carryover provisions apply. This credit is doubled if the day care provided constitutes quality child care. The Maine Department of Human Services ("DHS"), Office of Head Start and Child Care, certifies quality child care facilities. Attach a copy of the certificate when claiming this credit on the basis of quality child care services. For questions about quality child care services and the certification process, call DHS, Office of Head Start and Child Care, at 207-287-5099.

Quality Child Care Investment Credit: Corporate taxpayers making certified investment in quality child care services qualify for a credit equal to 30% of up to \$30,000 of eligible expenditures. Carryover provisions apply. The Maine Department of Human Services, Office of Head Start and Child Care, must certify eligible investments. Attach a copy of the certificate when claiming this credit. For more information on quality child care services and the certification process, call DHS, Office of Head Start and Child Care, at 207-287-5099.

SCHEDULE C INSTRUCTIONS, continued

29d. Employer-Provided Long-Term Care Benefits Credit: For tax years beginning on or after January 1, 2000, employers are eligible for the employer-provided long-term care credit if the policy on which premiums are paid meets the federal definition of a qualified long-term care insurance contract. Premiums paid on long-term care insurance policies previously certified by the Bureau of Insurance as being eligible for this credit will continue to be eligible even if the policy does not meet the federal definition for a qualified long-term care insurance contract. 36 M.R.S.A. § 5217-C.

29e. Machinery and Equipment Investment Tax Credit: Machinery and equipment placed into service prior to January 1, 1989 and after April 1, 1996 does not qualify for the Machinery and Equipment Investment Tax Credit. The credit is equal to 1% of the investment credit base of the taxpayer. Machinery and equipment on which property taxes are reimbursed pursuant to 36 M.R.S.A. § 6651-62 are also not eligible for the investment tax credit for that taxable year (applicable to tax years ending on or after July 1, 1997). The credit is limited to 100% of the first \$25,000 of tax liability plus 75% of any liability that exceeds \$25,000. The credit may not exceed the actual tax liability. Carryover provisions apply. Also, the 12-year reimbursement period under the Business Equipment Tax Reimbursement Program must be reduced one year for every year the qualified equipment was included in the Investment Tax Credit base. 36 M.R.S.A. § 5219-E.

29f. Solid Waste Reduction Investment Tax Credit: Taxpayers can claim a credit on solid waste reduction, reuse, or recycling machinery and equipment certified as eligible for the credit by the State Planning Office. The credit is the amount certified by the State Planning Office and applies to machinery and equipment placed into service from January 1, 1990 to June 30, 1991 or January 1, 1993 to June 30, 1995. Carryover of any unused credit must be used by December 31, 2004. The taxpayer must attach a copy of the eligibility certificate in order to claim the credit. Recapture provisions apply on the early disposal of machinery and equipment for which a credit has been claimed. 36 M.R.S.A. § 5219-D.

29g. Research Expense Tax Credit: The credit is 5% of qualified research expenses incurred during the taxable year that exceed the average qualified research expense for the previous 3 tax years, plus 7.5% of the basic research payments determined pursuant to IRC § 41(e)(1)(A). Only expenditures for research conducted in Maine qualify for the credit. The term “qualified research” is defined in IRC § 41(d). The credit is limited to the first \$25,000 of tax liability before credits plus 75% of the tax liability that exceeds \$25,000. Carryover provisions apply. 36 M.R.S.A. § 5219-K.

29h. Super Research and Development Credit: Businesses whose Maine research expenses increase by more than 50% over the average research expenses incurred in the three years immediately preceding the effective date of the credit qualify for the credit. The credit is equal to the excess over 150% of the 3-year average. The credit is limited to 50% of the net income tax due after other credits and may not reduce the tax liability below the liability of the previous year after the allowance of all other credits. Carryover provisions apply. **The credit applies to tax years beginning on or after January 1, 1998.** 36 M.R.S.A. § 5219-L.

29i. High-Technology Investment Tax Credit: Businesses engaged primarily in high-tech activities are eligible for this credit. The credit is equal to the adjusted basis of eligible equipment on the date that equipment is placed in service in Maine, net of any lease payments received during the year. Lessors may claim the credit only if the lessee waives its entitlement to the credit. The credit may not reduce current year’s tax liability below the liability of the previous year after the allowance of all other credits. The credit is limited to \$100,000 per year (\$200,000 in certain cases) and may not reduce the tax liability below zero. Carryover provisions apply. Maine net income must be increased by the amount of the investment credit base

also claimed as a business expense for federal income tax purposes. Also, the 12-year reimbursement period under the Business Equipment Tax Reimbursement Program must be reduced one year for every year the qualified equipment was included in the Investment Tax Credit base. See Important Changes on pages 31-32 for recent amendments applicable to this credit. **The credit applies to tax years beginning on or after January 1, 1998.** 36 M.R.S.A. § 5219-M.

29j. Maine Minimum Tax Credit: A minimum tax credit is available for tax years beginning on or after January 1, 1992. This credit is modeled after the federal alternative minimum tax credit. Complete Schedule D on page 4 of Form 1120ME to calculate your credit. 36 M.R.S.A. § 5203-A(5).

29k. Credit for Dependent Health Benefits Paid: Employers that offer a qualified health benefit plan and that employ fewer than five employees may qualify for this credit. The credit is equal to the lesser of 20% of the dependent health benefits paid by the employer or \$125 per employee with dependent health benefits coverage. A taxpayer that employs five or more employees after qualifying for the credit may continue to qualify for the credit for another two years. Otherwise, a taxpayer may claim a credit only for those periods during which the employer: 1) offers a qualified health benefit plan that is made available to all of its low-income employees; 2) pays at least 80% of the health insurance costs for each low-income employee under the plan, and; 3) pays at least 60% of the cost of dependent health insurance benefits for children under 19 who are dependents of a low-income employee under the plan. The credit is limited to 50% of the income tax due. Any unused credit may be carried over for two years. The credit applies to tax years beginning on or after January 1, 1999. 36 M.R.S.A. § 5219-O.

29l. Clean Fuel Credit: The credit is based on the expenditures paid or incurred for construction, installation of, or improvements to any filling station or charging station in Maine for the purpose of providing clean fuels to the general public for use in motor vehicles. Clean fuel is defined as any product or energy source, other than conventional gasoline, diesel or reformulated gasoline, that lowers emissions of certain pollutants. Clean fuel includes, but is not limited to, compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, hythane, dynamic flywheels, solar energy, alcohol fuels, and electricity. **The credit applies to expenditures incurred on or after January 1, 1999 and automatically expires January 1, 2006.** 36 M.R.S.A. § 5219-P.

29m. Historic Rehabilitation Credit: A taxpayer is allowed a credit equal to the amount of the federal credit, including carryovers, for rehabilitation of certified historic structures located in Maine. The credit is nonrefundable and is limited to \$100,000 annually per taxpayer. The credit is subject to the same recapture provisions as under the Internal Revenue Code. The credit applies to tax years beginning on or after January 1, 2000. 36 M.R.S.A. § 5219-R.

29n. Family Development Account Credit: Contributors to family development matching fund accounts are eligible for a credit. The credit per tax return is equal to the lesser of \$25,000 or 50% of the amount contributed. The credit is limited to the tax liability on the return and must be taken after the allowance of all other credits. The aggregate allowable credit amount in a state fiscal year is limited to \$200,000. The Finance Authority of Maine is required to certify the allowable credit for each contributor. Call 207-623-3263 for further information. The credit applies to tax years beginning on or after January 1, 2000. 36 M.R.S.A. § 5216-C.

(NOTE: The total of Schedule C credits cannot exceed the tax liability on line 7c of Form 1120ME.)

COMBINED REPORT (FORM CR) INSTRUCTIONS

The combined reporting form, when applicable, must be filed with Form 1120ME or Form 1120X-ME. This report **must** be accompanied by an affiliation schedule (federal Form 851 for consolidated filers is acceptable) listing name, federal ID number and corporate activity of all members of the affiliated group.

A. PURPOSE OF FORM:

NOTE: Only unitary business group members are to be included on this form. Affiliated non-unitary members are no longer included.

Form CR is used to calculate the “taxable income under the laws of the United States” (36 M.R.S.A. § 5102(8)) of a unitary business. Taxable income under the laws of the United States of a unitary business is: (a) separate federal taxable income as defined under federal consolidated regulations for each member of a unitary business that is a member of a single federal consolidated filing; plus (b) separate federal taxable income as defined under federal consolidated regulations for members of a unitary business that are members of other federal consolidated filings; plus (c) federal taxable income from the federal returns of the unitary members that are not members of a federal consolidated group; plus (d) adjustments for certain intercompany transactions between members of the unitary business.

See generally MRS Rule 810 for more information.

B. COMBINED REPORTING:

Corporations with taxable income under the laws of the United States that are members of an affiliated group engaged in a unitary business must file a combined report. Corporations that are members of a unitary business but are not required to file a federal return must be excluded from the combined report. This includes those corporations not required, but electing to file, a federal tax return.

“Affiliated group” means a group of two or more corporations of which more than 50% of the voting stock of each member corporation is directly or indirectly owned by a common owner or owners, either corporate or non-corporate, or by one or more of the member corporations. 36 M.R.S.A. § 5102(1-B). A “unitary business” is a business activity that is characterized by unity of ownership, functional integration, centralization of management, and economies of scale. 36 M.R.S.A. § 5102(10-A).

All corporations, including any foreign sales corporation (“FSC”), required to file federal returns that are part of a unitary business are required to be included in the combined report of any taxable corporation with Maine nexus, even if the affiliated corporation has no nexus with Maine.

C. SPECIFIC INSTRUCTIONS:

COLUMN INSTRUCTIONS

Nexus with Maine Column. Place a check mark in this column for those corporations listed in column 1 that have nexus with Maine (see explanation of nexus on page 2).

Column 1. Enter the name and federal identification number of each member of the unitary business. For an explanation of what constitutes a unitary business, see instructions on page 3.

Column 2. Enter the separate federal taxable income under U. S. Treasury Regulation § 1.1502 of each member listed in column 1 that was part of a federal consolidated return (member’s share of Form 1120, line 28). This information can be obtained from the supporting statement filed with Form 1120 for consolidated returns. **Attach the supporting statement from the consolidated return. Each corporation on this report should have an amount entered in either column 2 or column 3, but not both.**

Column 3. Enter the federal taxable income of each corporation listed in column 1 that filed a separate federal return (Form 1120, line 28 or equivalent income from other federally filed return). Entries in column 3 relate to member corporations of the unitary business that were not included in a federal consolidated return.

Each corporation on this report should have an amount entered in either column 2 or column 3, but not both.

Column 4. Enter any adjustments for eliminations, deferrals, and other modifications allowed under federal law and regulations not yet taken in column 2. Include any intercompany transactions between corporations listed on this report if those transactions resulted in gains or losses. For transactions between unitary business members not part of the same consolidated filing, enter adjustments allowed under MRS Rule 810.3(D). **Attach a worksheet that details adjustments claimed in column 4.**

FORM CR INSTRUCTIONS, continued

COLUMN INSTRUCTIONS CONTINUED

- Column 5.** Combine columns 2, 3, and 4. This is the adjusted separate income of each member of the unitary business group.
- Column 6.** A. State modification subtractions. Enter the share of state subtraction modifications applicable to the unitary member on that line. The total for all unitary members must agree with line 2j of Form 1120ME if a single return is filed for the entire group. Attach a supporting schedule.
- B. State modification additions. Enter the share of state addition modifications applicable to the unitary member on that line. The total for all unitary members must agree with line 4g of Form 1120 ME if a single return is filed for the entire group. Attach a supporting schedule.
- Columns 7-9.** Enter each corporation's share of sales, payroll, and property of the unitary business. The totals should be carried over from Line 17 to Schedule A. The amounts listed on the total lines of Columns 7, 8, and 9 of the Combined Report must agree with those entered on lines 12, 13, and 14, Columns (A) and (B) of Schedule A, Form 1120ME if a single return is filed for the entire group.

LINE INSTRUCTIONS

- Line 16.** To the extent not already eliminated, remove all intercompany transactions. These eliminations are for page 2, columns 6-9 only. Attach a worksheet that details any adjustment claimed on this line.
- Line 17.** Enter the total for each of Columns 2 through 9.
- Line 18.** Enter allowable special deductions for the unitary business (from Federal Form 1120, line 29b). These deductions must be aggregated and adjusted, if necessary, in a manner consistent with federal consolidated filing requirements.
- Line 19.** Enter the allowable NOL deductions for the unitary business. *See* MRS Rule 801.09 (allocation and uses of net operating losses).
- Line 20.** Enter the total from column 5 minus the deductions on lines 18 and 19. Enter on this line and on Form 1120ME, page 1, line 1. This is the taxable income under the laws of the United States of the unitary business.

Because Maine Revenue Services uses optical scanners to process Forms 1120ME and 1120X-ME, the use of these forms cannot be altered in any way. Do not change line numbers or descriptions as these changes will not be detected when scanned.

Important: If all required lines and schedules (including Form CR) are not completed, the return is incomplete and will not be considered a filed return. Also, pages 1-4 of the federal return must be attached to your Maine corporate return.

Record-Keeping requirements

Keep a copy of your Maine income tax return, including worksheets, and supporting documents for the same period required for keeping your federal income tax records. This is generally 3 years from the date the return was filed. You should keep some records longer. For example, keep property records as long as they are needed to calculate the basis of the original or replacement property. *See* 36 M.R.S.A. § 135.

INSTRUCTIONS FOR FORM 1120ES-ME

Estimated Tax Payment Voucher

1. WHO MUST PAY ESTIMATED TAX?

Every corporation subject to taxation under 36 M.R.S.A., Part 8 (Income Taxes) must pay estimated tax. If the income tax liability for the taxable year or for the prior tax year reduced by any allowable credits is less than \$1,000, the requirement is waived. *See* 36 M.R.S.A. § 5228(2).

2. AMOUNT OF ESTIMATED TAX TO BE PAID.

The estimated tax must be no less than the smaller of the following:

a. An amount equal to the preceding year's tax liability, if that preceding year was a taxable year of 12 months; or

b. An amount equal to 90% of the tax liability for the current taxable year. However, corporations cannot use current year machinery and equipment investment tax credits to determine the estimated corporate income tax liability.

Exception: Large corporations as defined in IRC § 6655(g)(2)(A), are required to pay estimated taxes in accordance with paragraph b, except as provided in 36 M.R.S.A. § 5228(5)(C).

3. DUE DATES FOR ESTIMATED TAX INSTALLMENTS.

Installment payments are due on the 15th day of the 4th, 6th, 9th and 12th months following the beginning of the corporation's fiscal year. If the due date falls on a Saturday, Sunday, or legal holiday, substitute the next succeeding day which is not a Saturday, Sunday, or legal holiday.

4. AMOUNT OF INSTALLMENTS.

The amount of estimated tax due for the taxable year must be paid in four equal installments unless:

a. The taxpayer establishes by adequate record the actual distribution of tax liability and allowable credits during the tax year; or

b. The taxpayer is a large corporation as defined by IRC § 6655(g)(2)(A). Such large corporations may elect to determine the first required installment for any taxable year based on the preceding year's state income tax liability, if that preceding year was a taxable year of 12 months. However, if the corporation so elects, the second required installment for the taxable year must equal 90% of the corporation's income tax liability for the first half of the current year, less the amount of the first installment for the taxable year as determined under this provision.

5. UNDERPAYMENT PENALTY.

A penalty equal to the interest rate on overdue taxes accrues automatically on underpayments of the required installment amount for the period of underpayment. The period of underpayment is the period of time from the date the installment is due until the underpayment is satisfied or until the tax return to which the estimate installment applies is due, whichever is less.

6. SHORT TAXABLE YEAR.

For a corporation having a taxable year of less than 12 months, the estimated tax must be paid in full by the 15th day of the last month of the taxable year. If you are filing a tax return for a short taxable year, identify your next filing period in the space provided on the voucher.



MAINE CORPORATE INCOME TAX

ESTIMATED TAX WORKSHEET

For Form 1120ES-ME

1. **MAINE NET INCOME** (check one) ☐ For immediate prior year ☐ Current year estimated 1. _____

2. **ESTIMATED MAINE CORPORATE INCOME TAX** 2. _____

For tax years beginning on or after January 1, 2001, the Maine corporate tax rate is as follows:

If Maine net income is:

The tax is:

Greater than

But not over

\$ 0

\$ 25,000

3.5% of Maine net income

\$ 25,000

\$ 75,000

\$ 875 plus 7.93% of excess over \$ 25,000

\$ 75,000

\$250,000

\$ 4,840 plus 8.33% of excess over \$ 75,000

\$250,000 or more

\$19,418 plus 8.93% of excess over \$250,000

3. **OVERPAYMENT** from prior year elected for credit to estimated tax: 3. _____

4. **BALANCE** of estimated Maine corporate income tax (line 2 minus line 3): 4. _____

5. COMPUTATION and RECORD OF PAYMENTS

Date Paid	Total Estimate Original or Amended	Amount of Installment Payable	Prior Year Overpayment Applied to Installment	Balance Payable by Check	Total Payments and Refund Applied
1. _____	\$ _____	April 16 \$ _____	\$ _____	\$ _____	\$ _____
2. _____	\$ _____	June 17 \$ _____	\$ _____	\$ _____	\$ _____
3. _____	\$ _____	Sept 16 \$ _____	\$ _____	\$ _____	\$ _____
4. _____	\$ _____	Dec 16 \$ _____	\$ _____	\$ _____	\$ _____

Fiscal year corporations: Use dates corresponding with the 15th day of the 4th, 6th, 9th and 12th months of the fiscal year.

NOTE: If your estimated tax should change during the year, you may use the amended computation worksheet below to determine the amended amounts to be entered on declaration.

1. **AMENDED ESTIMATED CORPORATE INCOME TAX** 1. _____

2. LESS:

a. Amount of **OVERPAYMENT** from prior year credited to

this year's estimated tax and applied to date 2a. _____

b. **PAYMENTS** made for current year 2b. _____

c. **TOTAL:** Line 2a plus line 2b 2c. _____

3. **UNPAID BALANCE:** Line 1 minus line 2c 3. _____

4. **AMOUNT TO BE PAID:** Line 3 divided by number of remaining installments 4. _____

(KEEP FOR YOUR RECORDS)
SEE REVERSE SIDE FOR INSTRUCTIONS

1120X-ME

General Instructions

Purpose of form: Maine amended Form 1120X-ME must be filed if: 1) an amended federal return has been filed that affects the taxpayer's liability; 2) the Internal Revenue Service has made a change or correction that affects the taxpayer's liability; or 3) there are other changes or corrections that affect the taxpayer's liability.

How to file: Use Form 1120X-ME to correct Maine Form 1120ME or Form 1120A-ME for **years beginning on or after January 1, 1991**. For years prior to 1991, use Form 1120ME for the year(s) you are amending and print or type "amended" in the upper left corner of the form. To obtain a form for the appropriate pre-1991 year being amended, call 207-624-7894.

Attach copies of federal Form 1120X or the Internal Revenue Agent report to support changes shown on Maine Form 1120X-ME. In the event of a net operating loss, attach a copy of federal Form 1139 for each year that you are amending. If the affiliated unitary net operating loss of the entity is different than that on the consolidated federal return, please complete and attach a schedule indicating how the Maine loss was calculated. Please indicate, for each year, the amount of the loss and how much is being used in that year. If the members of the unitary group have changed, please refer to MRS Rule 810 when calculating the amount of the loss that may be used for Maine purposes. Please indicate changes in members of the affiliated unitary group on the schedule identifying the Maine loss.

When carrying back/forward a net operating loss, the adjustment is reported on Maine Form 1120X-ME line 1. Loss carryovers from years 1989 – 1992 are reported on line 2f. Please complete the entire Maine 1120X-ME, including Schedules A – D. If this is an affiliated unitary business group filing a combined report you must also complete schedule CR previously known as schedule CB. The taxable income under the laws of the United States (Form CR, line 20) should match line 1, column C, on Form 1120X-ME.

An incomplete Form 1120X-ME cannot be processed. Attaching schedules or spreadsheets in lieu of completing this form is not acceptable.

Maine Revenue Services uses optical scanners to process Forms 1120ME and 1120X-ME; the use of these forms cannot be altered in any way. Do not change line numbers or descriptions as these changes will not be detected when scanned. All dollar amounts other than zero must be written in the appropriate column even if the amount has not changed from a previous return or filing period. Any box on Form 1120X-ME Column C which is left blank will be read as a zero.

When to file: Amended Maine income tax returns must be filed within 90 days of the final determination of the change or correction of the filing of the federal amended return or Internal Revenue Agent report. File form 1120X-ME only after you have filed an original return.

Generally, to receive a refund of taxes paid, Form 1120X-ME must be filed within three years after the date the original return was filed, or within three years after the date the tax was paid, whichever is later. This time limit does not apply when the Internal Revenue Service makes an adjustment that affects the taxpayer's liability.

Combined Reports: Refer to the instructions for Form CR and Combined Reporting in the corporate income tax booklet. You must attach a copy of Form CR to Form 1120X-ME if you are a member of an unitary business group.

Specific Instructions

Reason for change: Check the appropriate box to identify the reason for filing this form: 1) if an Internal Revenue Service audit change, attach a copy of the federal audit; 2) if a net operating loss, attach a copy of federal Form 1139; 3) if an amended federal Form 1120X, attach a copy of the federal amended return; 4) if an accounting change, attach approval of acceptance from the Internal Revenue Service; 5) if other, attach a written explanation of change.

Column A: Enter the amounts from your return as originally filed or previously amended. If your return was adjusted or audited by the State of Maine, enter the amounts as last adjusted.

Column B: Enter the net increase or net decrease for each line that is changed. Use a minus sign to the left of the number to indicate a decrease.

Column C: This column must be filled out completely even if the amount in column A is not being adjusted. Combine the amounts in column B and column A and enter the result in column C.

SCHEDULES A - D:

Check the amended box if the schedule is being changed as a result of this amended return and complete each schedule with the amended figures. Check the original or previously adjusted box if the schedule shows the figures as last adjusted or originally filed. In all cases, properly complete columns A, B and C of Form 1120X-ME, lines 6, 7b and 8d as they relate to Schedules A, B and C.

SCHEDULE A: Schedule A is for corporations engaged in interstate business. If this is the case, you must complete this schedule, even if you are not changing the figures from the original or as previously adjusted. See additional Schedule A instructions on pages 6 and 7.

SCHEDULE B: Complete this schedule even if figures are the same as originally filed or previously adjusted. The rate (line 25) is 29.7% for years beginning in 1991 and 1992 and 27% for years 1993 and after.

SCHEDULE C: If you had other credits on your original return, you must enter those credits here, even if you are not making any adjustments. See additional Schedule C instructions on pages 7 and 8.

SCHEDULE D: A minimum tax credit is available for tax years beginning on or after January 1, 1992. This credit is modeled after the federal alternative minimum tax credit. Complete this schedule to calculate your credit. You must complete this schedule and enter line g on Schedule C, line 29j, even if you are not changing the figures from the original return or as previously adjusted.

IMPORTANT: IF ALL REQUIRED LINES AND SCHEDULES (INCLUDING FORM CR) ARE NOT COMPLETED, THE RETURN IS INCOMPLETE AND WILL NOT BE CONSIDERED A FILED RETURN. ALSO, PAGES 1-4 OF THE FEDERAL RETURN MUST BE ATTACHED TO YOUR MAINE CORPORATE RETURN.